

BRIAN HEAD TOWN, UTAH

Financial Statements
and
Supplementary Information
with
Independent Auditor's Report

Year Ended June 30, 2005

BRIAN HEAD TOWN, UTAH

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BRIAN HEAD TOWN, UTAH

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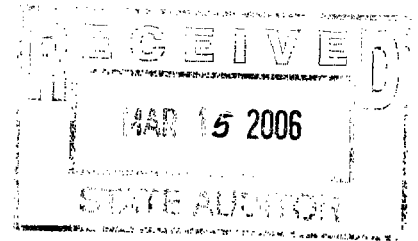
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Independent Auditor's Report



The Honorable Town Council
Brian Head Town

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Brian Head Town (the Town) as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2005 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2005 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

- 1 -

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(435) 673-6167

Management's discussion and analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Town's basic financial statements. The individual fund statements described in the supplementary section of the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hafen Buckner, Everett & Graff, PC

HAFEN, BUCKNER, EVERETT, & GRAFF, P.C.

December 12, 2005

MANAGEMENT'S DISCUSSION & ANALYSIS

This section of Brian Head Town's (the Town's) annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended June 30, 2005. Please read this discussion and analysis in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

- The Town's total net assets at the close of the fiscal year totaled \$27,457,237. This amount is comprised of \$25,798,544 in capital assets net of related debt and \$1,658,693 in other net assets.
- General fund expenditures exceeded revenues by \$3502 after all transfers between funds.
- The general fund's ending fund balance of \$423,532 represents 21.46 percent of the total budgeted expenditures for the fiscal year ending June 30, 2006.
- General fund revenues brought in by building permits and related items ended at 165 percent of the original budgeted amount because of an increase in the number of permits issued during the 2005 fiscal year. New construction of single-family dwellings continues to increase, as does the average valuation per permit. In addition, the Town issued its first multi-unit permit in over 20 years.
- The Town's total long-term debt decreased \$279,294. During the fiscal year, the Town entered into two general obligation refunding bonds totaling \$5,380,000. These bonds replaced four revenue bonds and a revenue anticipation note.
- Total net assets for the Town's business-type activities increased by \$523,318.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Town's annual financial report includes: 1) this discussion and analysis, which serves as an introduction to the Town's basic financial statements; 2) the basic financial statements comprised of the government-wide financial statements, fund financial statements, and notes to the financial statements; and 3) other supplementary information.

Government-wide financial statements. The government-wide financial statements include a statement of net assets and a statement of activities that provide a Town-wide perspective of the Town's overall financial status. These statements are prepared using accrual accounting methods similar to those used in preparing the financial statements of private-sector businesses.

- The *statement of net assets* presents information on all of the Town's assets and liabilities. The difference between assets and liabilities represents the Town's net assets. Increases or decreases in net assets, when viewed over a period of time, may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating, respectively.
- The *statement of activities* presents information reflecting how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the

underlying event giving rise to the change occurs irrespective of the timing of the related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish between governmental activities, those principally supported by taxes and intergovernmental revenues, and business-type activities, those that are intended to recover all or a significant portion of their costs through user fees and charges. The government-wide financial statements can be found on pages 14 thru 16 of this report.

Fund financial statements. A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. This segregation is also used to ensure and demonstrate compliance with finance-related legal requirements. The Town utilizes two types of funds: governmental funds and proprietary funds.

- *Governmental funds* account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, these statements are prepared using modified accrual accounting methods, which measure cash and other financial assets readily convertible to cash and their balances available for use at year-end. As a result, these statements provide a short-term perspective of the Town's general government operations and the basic services provided and may assist in determining the availability of financial resources that could be used in the near future to finance the Town's programs.

A reconciliation between the long-term perspective of the government-wide financial statements and the short-term perspective of the fund financial statements is provided on page 18 of this report.

The Town has identified three of its governmental funds to be major governmental funds requiring separate reporting. There are no governmental funds which are non-major funds.

- *Proprietary funds* account for the same functions and utilize the same accounting methods reported as business-type activities in the government-wide financial statements. Full accrual accounting methods are used and provide both long and short-term financial information. The Town uses enterprise funds, one type of proprietary fund, to account for its three business-type activities.

Notes to the financial statements. The notes to the financial statements provide additional information essential to understanding the government-wide and fund financial statements.

The notes to the financial statements are on pages 27 thru 44 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As was previously noted, increases or decreases in net assets, when viewed over a period of time, may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating, respectively. The Town's total net assets, assets in excess of liabilities, totaled \$27,457,237.

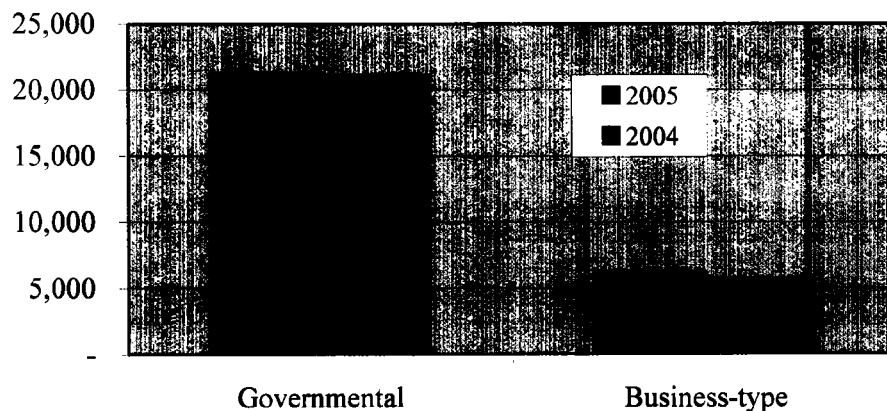
Governmental fund net assets increased from \$21,085 million to \$21,245 million during fiscal year 2005, an increase of 0.75 percent. Business-type net assets increased 8.42 percent from

\$5,688 million to \$6,211 million in fiscal year 2005. This information is displayed in the table and graph below.

BRIAN HEAD TOWN'S NET ASSETS

	<u>Governmental</u> <u>Activities</u> <u>2005</u>	<u>Governmental</u> <u>Activities</u> <u>2004</u>	<u>Business-type</u> <u>Activities</u> <u>2005</u>	<u>Business-type</u> <u>Activities</u> <u>2004</u>
Current and Other Assets	\$ 3,693,446	\$ 3,567,066	\$ 1,211,723	\$ 940,637
Capital Assets	24,874,054	25,022,059	11,405,402	11,076,756
Total Assets	28,567,500	28,589,125	12,617,125	12,017,393
Long-term Debt Outstanding	4,531,439	4,802,978	5,949,473	5,953,405
Other Liabilities	2,790,752	2,700,771	455,724	375,378
Total Liabilities	7,322,191	7,503,749	6,405,197	6,328,783
Net Assets:				
Invested in Capital Assets, Net of Related Debt	20,342,615	20,219,081	5,455,929	5,769,751
Restricted	952,569	543,550	548,068	650,777
Unrestricted	(49,875)	322,745	207,931	(731,918)
Total Net Assets	\$ 21,245,309	\$ 21,085,376	\$ 6,211,928	\$ 5,688,610

BRIAN HEAD'S NET ASSETS BY FUND TYPE FY 2005 & FY 2004 COMPARISON (In Thousands)

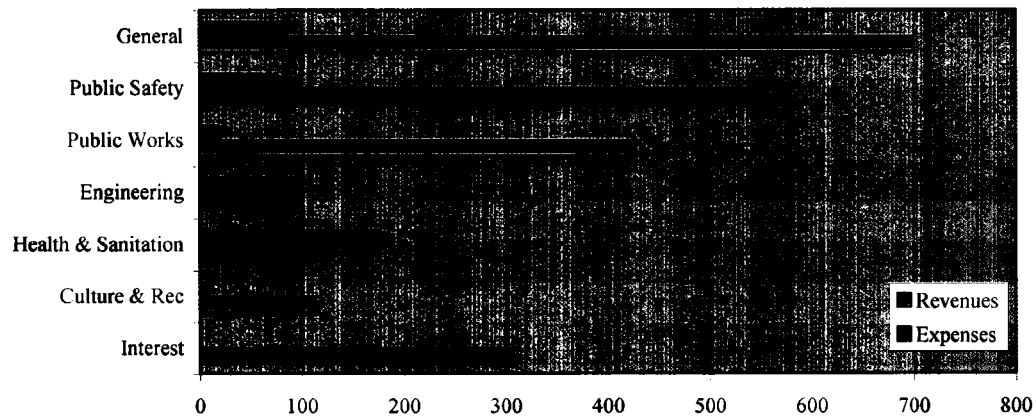


CHANGES IN BRIAN HEAD TOWN'S NET ASSETS

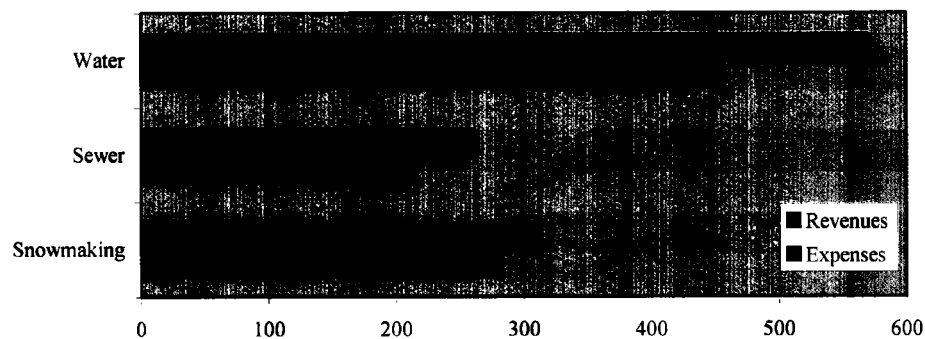
	<u>Governmental</u> <u>Activities</u> <u>2005</u>	<u>Governmental</u> <u>Activities</u> <u>2004</u>	<u>Business-type</u> <u>Activities</u> <u>2005</u>	<u>Business-type</u> <u>Activities</u> <u>2004</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 304,827	\$ 261,146	\$ 1,138,496	\$ 1,109,808
Operating Grants and Contributions	92,471	62,138		
Capital Grants and Contributions	46,667	164,984		
General Revenues:				
Property Taxes	913,477	768,527		
Other Taxes	674,293	567,687		
Special Assessments	353,793	142,291		
Impact Fees	3,366	2,299	86,056	56,382
Interest Income	175,044	96,053	14,073	12,676
Other Revenues	28,041	12,621	28,622	
	<u>2,591,979</u>	<u>2,077,746</u>	<u>1,267,247</u>	<u>1,178,866</u>
Expenses:				
General Government	699,254	696,040		
Public Safety	551,828	509,378		
Public Works	421,314	485,304		
Engineering Services	85,758	73,200		
Health and Sanitation	108,235	99,262		
Culture and Recreation	112,337	118,124		
Interest and Other Charges	302,343	378,211		
Water			425,795	444,837
Sewer			211,731	232,814
Snowmaking Lease			281,149	288,619
	<u>2,281,069</u>	<u>2,359,519</u>	<u>918,675</u>	<u>966,270</u>
Change in Net Assets				
Before Transfers	310,910	(281,773)	348,572	212,596
Transfers	(174,746)	394,747	174,746	(394,747)
Change in Net Assets	<u>\$ 136,164</u>	<u>\$ 112,974</u>	<u>\$ 523,318</u>	<u>\$ (182,151)</u>

The following charts display program revenues and expenses for governmental activities and business-type activities for fiscal year 2005 as reflected in the statement of activities.

**PROGRAM REVENUES AND EXPENSES
GOVERNMENTAL ACTIVITIES FOR FY 2005**
(In Thousands)



**PROGRAM REVENUES AND EXPENSES
BUSINESS-TYPE ACTIVITIES FOR FY 2005**
(In Thousands)



GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

As was previously noted, the Town's governmental funds provide a short-term perspective of the Town's general government operations and the financial resources available in the near future to finance the Town's programs. Differences between available financial resources and the short-term obligations of general government operations are reported as fund balances. Fund balances are designated as either reserved or unreserved. Reserved fund balances indicate amounts of the fund balance set aside for specific purposes or to meet specific requirements.

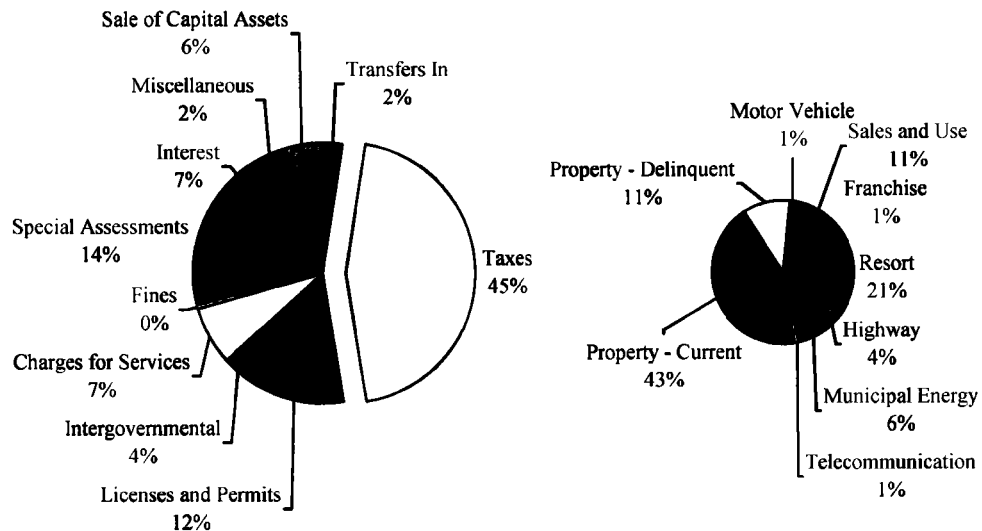
As of June 30, 2005, the Town's governmental funds, which include the general fund, all special revenue funds, debt service funds and capital project funds, report a combined fund balance of \$1,008,366. This combined balance represents an increase of \$37,782 over last year's ending fund balances.

The general fund is the main operating fund of the Town. All governmental-type activities not accounted for in a special revenue fund, debt service fund or capital project fund are accounted for in the general fund. Accounting for activities in funds other than the general fund may be required by state regulations or local ordinances; or, the Town may simply desire to isolate the revenues and expenditures associated with a particular activity for matching purposes.

The general fund fund balance decreased by \$3,502 to \$423,532 during the fiscal year ending June 30, 2005. The \$423,532 fund balance represents approximately 22.45 percent of budgeted expenditures for the fiscal year ending June 30, 2006. Per Utah State Law (10-5-113(2)), the maximum in a town's general funds may not exceed 75 percent of the total estimated revenue of the general fund.

The following charts identify general fund revenue sources and function expenditures for fiscal year 2005.

REVENUES BY SOURCE GENERAL FUND FOR FY 2005

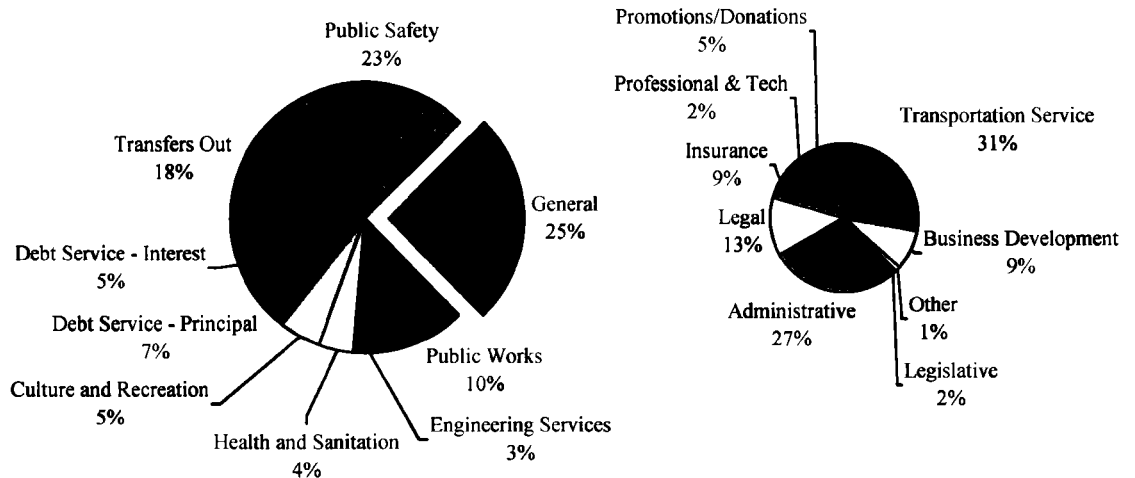


Taxes are the largest source of revenues to the general fund representing approximately 45 percent of total general fund revenues. Property taxes generated about 54 percent of the tax revenues. Franchise, sales, and other taxes account for approximately 46 percent of all of the tax revenues generated in the general fund.

Special assessments revenue as collected for the Steam Engine Meadows SID account for 14 percent of the general fund revenues. These monies were generated as nine (9) lots in the subdivision were sold and the outstanding balance of the SID relative to each parcel paid off.

Licenses and permits account for 12 percent of the general fund revenues and are the third largest category. Approximately 61 percent of this revenue comes from the visitor service retail fee. Building and land use permits account for 37 percent, with the remaining revenue coming from business licenses and other permits.

EXPENDITURES BY FUNCTION GENERAL FUND FOR FY 2005



General government expenditures accounted for 25 percent of the total expenditures in the general fund. Approximately 31 percent of all general expenditures were for transportation service. An additional 27 percent was for administrative costs, followed by 13 percent for legal, and 9 percent for business development.

Expenditures for public safety totaled 23 percent of all general fund expenditures and comprised the second largest category in the general fund. Police services constitute 76 percent of public safety costs, with fire services making up the other 24 percent. Approximately 91 percent of the police expenditures were for operating expenditures.

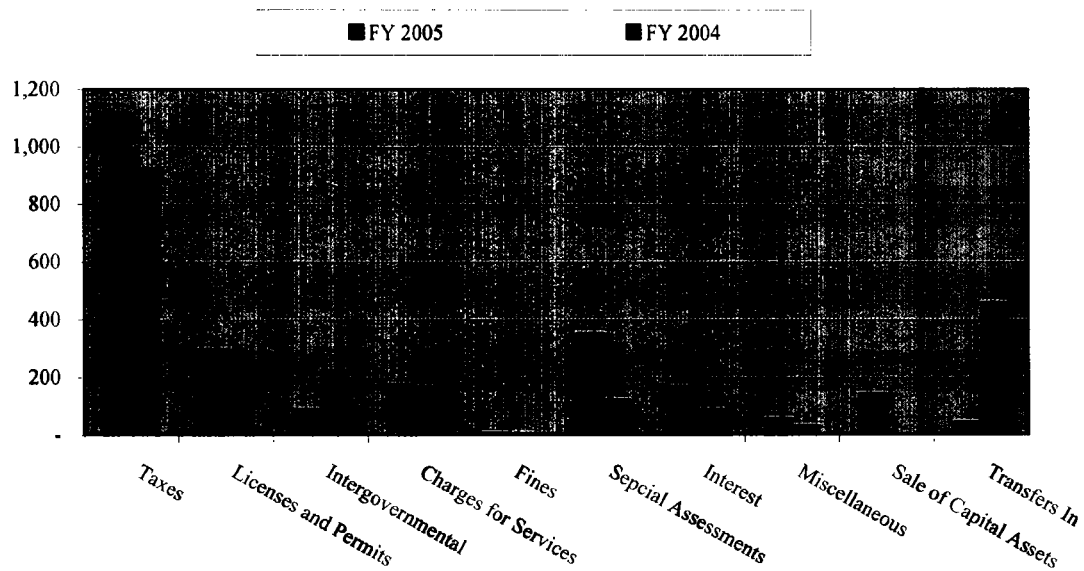
Transfers from the general fund to other governmental funds was the third largest category of general fund expenditures and accounted for 18 percent of all general fund expenditures. Approximately 16 percent of these transfers were made to cover debt service obligations. An additional 32 percent of total transfers from the general fund were to capital project funds for current or anticipated capital projects. An operating transfer to the water fund accounted for 50 percent of the transfer expenditures.

Expenditures associated with public works - streets totaled 10 percent of all general fund expenditures. Approximately 25 percent of all street expenditures were for road maintenance and road improvements. Equipment maintenance and equipment leases account for another 25 percent. The remaining 50 percent was for operating expenditures.

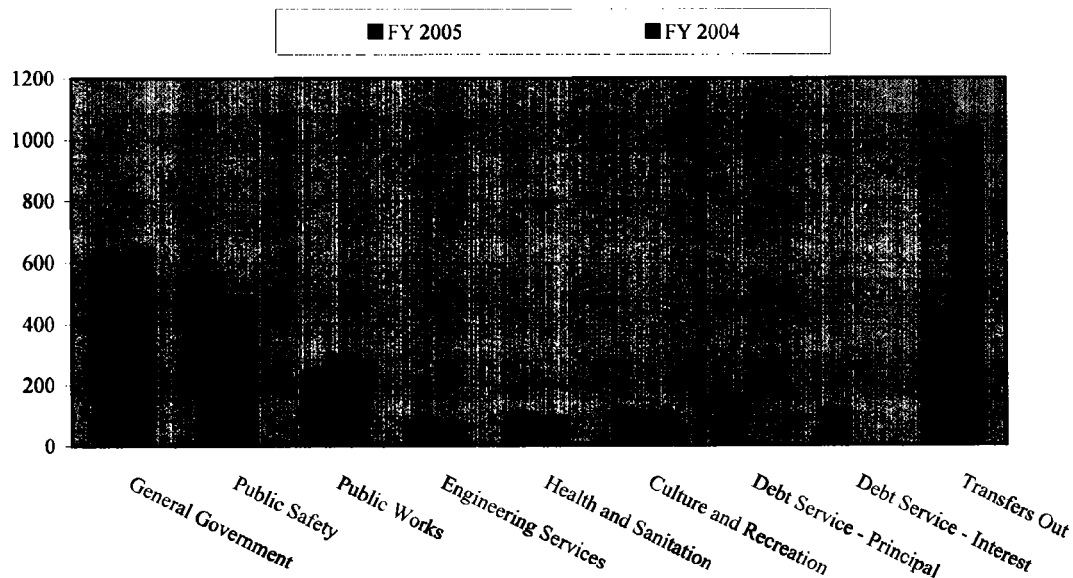
Engineering services, health and sanitation, culture and recreation, and debt service principal and interest comprise the remaining categories of expenditures in the general fund. The combined percentage of expenditures in these categories accounted for 24 percent of total general fund expenditures.

The following charts compare fiscal year 2004 and 2005 general fund revenues and expenditures by source and function.

**REVENUES BY SOURCE
GENERAL FUND FOR FY 2005 & FY 2004
(In Thousands)**



**EXPENDITURES BY FUNCTION
GENERAL FUND FOR FY 2005 & FY 2004
(In Thousands)**



As was previously noted, the Town maintains three enterprise funds to account for its business-type activities. The separate enterprise fund statements provide the same information, with more detail, as the information provided for business-type activities in the government-wide financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The fiscal year 2005 originally adopted budget for the general fund totaled \$1,907,992. The Town Council approved a budget revision at the end of year that increased the budget by approximately \$390,000. The main reasons, which necessitated this revision, are as follows:

- Budgeted tax revenues were adjusted \$182,730 to reflect actual revenues received.
- Grant revenues in the amount of \$46,485 secured subsequent to adoption of the original budget. With shared costs, \$50,612 was spent on granted items.
- Transportation services revenues were adjusted \$29,905 for actual amount received. Expenditures costs exceeded budget by \$21,167.
- Heavy equipment was sold for \$144,000 that required that outstanding debt be paid off. New equipment was secured through a lease agreement where \$33,583 was paid during 2005
- A contribution of \$30,000 was made for NORBA.
- Capital projects that were anticipated to be complete were not and the unspent funds of \$125,843 were appropriated for completion.
- An operating transfer of \$218,651 was made to the water fund primarily to cover unforeseen equipment costs (\$30,000), heavy equipment lease payments (\$20,183), costs associated with the general obligation refunding bond (\$68,174) and other budgetary oversights.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2005, the Town had invested \$41,100,068, net of accumulated depreciation, in capital assets for its governmental and business-type activities.

BRIAN HEAD TOWN'S CAPITAL ASSETS (Net of Depreciation)

<u>Capital Assets</u>	<u>Governmental</u> <u>2005</u>	<u>Governmental</u> <u>2004</u>	<u>Business-type</u> <u>2005</u>	<u>Business-type</u> <u>2004</u>
Land and Water Rights	\$ 18,972,980	\$ 18,965,180	\$ 3,203,176	\$ 3,203,176
Buildings	2,415,831	2,404,448		
Improvements and Infrastructure	2,293,334	2,287,252		
Water, Sewer, and Snowmaking			7,460,586	6,900,898
Machinery and Equipment	823,314	867,075	4,198,656	4,203,716
Construction in Progress	1,732,191	1,732,191		
TOTALS:	\$ 26,237,650	\$ 26,256,146	\$ 14,862,418	\$ 14,307,790

Capital asset acquisitions and projects costing \$5,000 or more and put into service during the current fiscal year included:

- \$7,800 land value for trail easement deeded free and clear to the Town – The Pines
- \$11,383 for the Town Hall Renovation Project funded from general fund resources
- \$6,082 for improvements to Town Trail funded from the general fund
- \$31,411 for the purchase of a 2004 Dodge Durango for public safety department funded from the general fund

- \$9,700 for the purchase of a 2005 Polaris Ranger for recreation department funded from the general fund
- \$48,202 for water system improvements funded from the water resource project monies
- \$50,000 for 1993 Ford LNT 8000 (Sewer Truck) funded from the sewer fund
- \$511,486 construction in progress for Circle/Half Circle Sewer Project funded from the water resource project monies

Additional information regarding the Town's capital assets can be found in the footnotes to the financial statements.

Long-term debt

At June 30, 2005, the Town had total debt outstanding of \$10,310,349. Of this amount, \$2,595,643 is considered general obligation debt, which is secured by the full faith and credit of the Town. Revenue bonds payable, secured by future cash flows from specific revenue sources, total \$979,000. Other debt remaining of \$1,430,000 is comprised of special assessment debt for which the Town is liable if property owners fail to pay their related assessments.

BRIAN HEAD'S OUTSTANDING DEBT

	<u>Governmental</u> <u>2005</u>	<u>Governmental</u> <u>2004</u>	<u>Business-type</u> <u>2005</u>	<u>Business-type</u> <u>2004</u>
<u>Long Term Debt</u>				
General Obligation Bonds	2,435,000	2,505,000	5,466,349	90,643
Revenue Bonds:				
Water Revenue			395,000	436,000
Snowmaking Revenue				3,249,000
Municipal Building Authority:				
Lease Revenue Bonds	584,000	684,000		
Special Improvement Districts:				
Assessment Bonds	1,430,000	1,590,000		
Revenue Anticipation Notes				2,035,000
TOTALS:	4,449,000	4,779,000	5,861,349	5,810,643

During the fiscal year, the Town issued the following debt totaling \$5,380,000 for refunding purposes:

- \$2,150,000 for permanent financing for water improvements
- \$3,230,000 for release of water revenue requirements for snowmaking

When the general obligation refunding bonds were issued, Moody's Investors Service assigned an Aaa rating to the issues.

State statute limits the amount of debt a town may issue to four percent of the fair market value of the taxable property within the town's jurisdiction. An additional eight percent of indebtedness may be issued for water, sewer or electricity when such public works are owned and controlled by the municipality. The current limitation for the Town is approximately \$17,389,208 comprised of \$5,796,403 for the four percent and \$11,592,805 for the additional eight percent. In any case, the Town's outstanding debt is below the statutory debt limits.

Additional information on the outstanding debt of the Town is located in the footnotes to the financial statements.

REQUESTS FOR FINANCIAL INFORMATION

This financial report is designed to provide users with a general overview of the Town's finances and demonstrate accountability for the sources and uses of Town funding. Questions concerning information contained in this report or requests for additional financial information should be addressed to the Town Treasurer, Brian Head Town, P.O. Box 190068, 56 North Highway 143, Brian Head, Utah, 84719.

BASIC FINANCIAL STATEMENTS

Brian Head Town
Government-wide Statement of Net Assets
As of June 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 862,760	\$ -	\$ 862,760
Receivables			
Accounts (net of allowance)	43,301	106,264	149,565
Assessments	1,253,351	-	1,253,351
From Other Funds	305,227	387,525	692,752
Other Governments	823,546	-	823,546
Prepaid Expenses	31,282	-	31,282
Other	-	169,866	169,866
Restricted Cash and Cash Equivalents	481,057	548,068	1,029,125
Capital Assets			
Land and Water Rights	18,972,980	3,203,176	22,176,156
Buildings	2,415,831	-	2,415,831
Improvements and Infrastructure	2,293,334		2,293,334
Water, Sewer and Snowmaking Systems	-	7,460,586	7,460,586
Machinery and Equipment	823,314	4,198,656	5,021,970
Construction in Progress	1,732,191	-	1,732,191
Accumulated Depreciation	(1,363,596)	(3,454,170)	(4,817,766)
Total Assets	<u>\$ 28,674,578</u>	<u>\$ 12,619,971</u>	<u>\$ 41,294,549</u>
Liabilities and Net Assets			
Accounts Payable	\$ 51,535	\$ 9,707	\$ 61,242
Accrued Liabilities	179,477	69,427	248,904
Due to Other Funds	613,802	78,950	692,752
Deferred Revenues	2,053,016	297,640	2,350,656
Noncurrent Liabilities			
Due Within One Year	273,088	334,358	607,446
Due Beyond One Year	4,258,351	5,615,115	9,873,466
Total Liabilities	<u>7,429,269</u>	<u>6,405,197</u>	<u>13,834,466</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	20,342,615	5,458,775	25,801,390
Restricted For:			
Debt Service	657,423	297,666	955,089
Capital Projects	295,146	250,402	545,548
Unrestricted (Deficit)	(49,875)	207,931	158,056
Total Net Assets	<u>21,245,309</u>	<u>6,214,774</u>	<u>27,460,083</u>
Total Liabilities and Net Assets	<u>\$ 28,674,578</u>	<u>\$ 12,619,971</u>	<u>\$ 41,294,549</u>

See Accompanying Notes to Basic Financial Statements

Brian Head Town
Government-wide Statement of Activities
For The Year Ending June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating	Capital
		Services	Grants and	Grants and
			Contributions	Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 699,254	\$ 33,166	\$ 100	\$ 46,667
Public Safety	551,828	2,760	71,960	-
Public Works	421,314	-	18,912	-
Engineering Services	85,758	94,394	-	-
Health and Sanitation	108,235	174,447	-	-
Culture and Recreation	112,337	60	1,499	-
Interest and Other Charges	302,343	-	-	-
Total Government Activities	2,281,069	304,827	92,471	46,667
Business-type Activities:				
Water	453,060	599,432	-	-
Sewer	210,308	259,822	-	-
Snowmaking Lease	281,149	307,930	-	-
Total Business-type Activities	944,517	1,167,184	-	-
Total Government	\$ 3,225,586	\$ 1,472,011	\$ 92,471	\$ 46,667

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Franchise Taxes

Public Service Taxes

Grants and Contributions not Restricted to Specific Programs

Special Assessments

Impact Fees

Interest Income

Miscellaneous

Sale of Capital Assets

Transfers

Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets-Beginning

Prior Period Adjustment

Net Assets-Ending

See Accompanying Notes to Basic Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (619,321)	\$ -	\$ (619,321)
(477,108)	-	(477,108)
(402,402)	-	(402,402)
8,636	-	8,636
66,212	-	66,212
(110,778)	-	(110,778)
(302,343)	-	(302,343)
(1,837,104)	-	(1,837,104)

-	146,372	146,372
-	49,514	49,514
-	26,781	26,781
-	222,667	222,667
(1,837,104)	222,667	(1,614,437)

613,043	-	613,043
300,434	-	300,434
538,197	-	538,197
84,541	-	84,541
51,555	-	51,555
-	-	-
353,793	-	353,793
3,366	86,056	89,422
175,044	14,073	189,117
5,736	-	5,736
22,305	28,622	50,927
(174,746)	174,746	-
1,973,268	303,497	2,276,765

136,164	526,164	662,328
21,085,376	5,688,610	26,773,986
23,769	-	23,769
\$ 21,245,309	\$ 6,214,774	\$ 27,460,083

See Accompanying Notes to Basic Financial Statements

Brian Head Town
Balance Sheet
Governmental Funds
As of June 30, 2005

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 687,917	\$ -	\$ 174,843	\$ 862,760
Receivables, net	43,301	-	-	43,301
Special Assessments Receivable	1,253,351	-	-	1,253,351
Due from Other Funds	-	184,924	120,303	305,227
Receivables from Other Governments	561,010	262,536	-	823,546
Prepaid Expenses	31,282	-	-	31,282
Restricted Cash and Cash Equivalents	384,134	96,923	-	481,057
Total Assets	<u>\$ 2,960,995</u>	<u>\$ 544,383</u>	<u>\$ 295,146</u>	<u>\$ 3,800,524</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 51,535	\$ -	\$ -	\$ 51,535
Accrued Liabilities	73,805	-	-	73,805
Due to Other Funds	613,802	-	-	613,802
Payable to Other Governments	-	-	-	-
Deferred Revenue	1,798,321	254,695	-	2,053,016
Total Liabilities	<u>2,537,463</u>	<u>254,695</u>	<u>-</u>	<u>2,792,158</u>
Fund Balances:				
Reserved for:				
Debt Service	367,735	289,688	-	657,423
Capital Projects	-	-	295,146	295,146
Unreserved, Reported in:				
General Fund	-	-	-	-
Capital Project Funds	55,797	-	-	55,797
Total Fund Balances	<u>423,532</u>	<u>289,688</u>	<u>295,146</u>	<u>1,008,366</u>
Total Liabilities and Fund Balances	<u>\$ 2,960,995</u>	<u>\$ 544,383</u>	<u>\$ 295,146</u>	<u>\$ 3,800,524</u>

See Accompanying Notes to Basic Financial Statements

Brian Head Town
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
As of June 30, 2005

Total fund balances--governmental funds	\$	1,008,366
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$	18,972,980	
Buildings		2,415,831	
Improvements and Infrastructure		2,293,334	
Machinery and Equipment		823,314	
Construction in Progress		1,732,191	
Accumulated depreciation		<u>(1,363,596)</u>	
Total capital assets			24,874,054

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds Payable	\$	(4,360,876)	
Capital Leases		(170,563)	
Accrued Interest		<u>(105,672)</u>	
Total long-term liabilities			(4,637,111)

Net assets of governmental activities	\$	<u><u>21,245,309</u></u>
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See Accompanying Notes to Basic Financial Statements

Brian Head Town
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 613,043	\$ 300,434	\$ -	\$ 913,477
Franchise, Sales and Other Taxes	493,388	-	-	493,388
Licenses and Permits	298,606	-	-	298,606
Intergovernmental	90,872	-	-	90,872
Charges for Services	177,888	-	-	177,888
Fines and Forfeitures	9,079	-	-	9,079
Special Assessments	353,793	-	-	353,793
Interest Income	170,158	1,282	3,604	175,044
Miscellaneous	57,526	-	-	57,526
Total Revenues	<u>2,264,353</u>	<u>301,716</u>	<u>3,604</u>	<u>2,569,673</u>
Expenditures				
Current:				
General Government	623,557	-	-	623,557
Public Safety	565,474	-	-	565,474
Public Works	245,519	-	-	245,519
Engineering Services	85,758	-	-	85,758
Health and Sanitation	108,234	-	-	108,234
Culture and Recreation	118,158	-	-	118,158
Debt Service:				
Principal	160,000	282,102	-	442,102
Interest and Other Charges	121,047	179,913	-	300,960
Capital Outlay	-	-	11,383	11,383
Total Expenditures	<u>2,027,747</u>	<u>462,015</u>	<u>11,383</u>	<u>2,501,145</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>236,606</u>	<u>(160,299)</u>	<u>(7,779)</u>	<u>68,528</u>
Other Financing Sources (Uses)				
Proceeds From Long-term Debt	-	-	-	-
Proceeds From Sale of Capital Assets	144,000	-	-	144,000
Transfers In	47,081	70,577	138,785	256,443
Transfers Out	(431,189)	-	-	(431,189)
Total Other Financing Sources (Uses)	<u>(240,108)</u>	<u>70,577</u>	<u>138,785</u>	<u>(30,746)</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses) Over Revenues	<u>(3,502)</u>	<u>(89,722)</u>	<u>131,006</u>	<u>37,782</u>
Fund Balances - Beginning	<u>427,034</u>	<u>379,410</u>	<u>164,140</u>	<u>970,584</u>
Fund Balances - Ending	<u>\$ 423,532</u>	<u>\$ 289,688</u>	<u>\$ 295,146</u>	<u>\$ 1,008,366</u>

See Accompanying Notes to Basic Financial Statements

Brian Head Town
Reconciliation of the Change in Fund Balances of Governmental Funds
to the Statement of Activities
As of June 30, 2005

Net change in fund balances--total governmental funds	\$ 37,782
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Amounts reported for governmental activities in the statement of activities are different due to the following:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays reported in the current year.	66,376
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In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of assets sold.	(121,694)
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Depreciation expense on capital assets is reported in the Government-wide Statement of Activities and Changes in Net Assets, but they don't require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(310,917)
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Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, repayment of long-term debt consisted of the following:

Bond principal retirement	\$ 284,490	
Capital lease payments	181,510	
Total long-term debt repayment	466,000	

Net increase in accrued interest	(1,383)
Total additional expenditures	

Changes in net assets of governmental activities	\$ 136,164
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See Accompanying Notes to Basic Financial Statements

Brian Head Town
Statement of Net Assets
Proprietary Funds
As of June 30, 2005

	Enterprise Funds			
	Water	Sewer	Snowmaking Lease	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Accounts Receivable	72,502	33,762	-	106,264
Due from Other Funds	222,338	165,187		387,525
Bond Issue Costs	43,866		126,000	169,866
Total Current Assets	338,706	198,949	126,000	663,655
Property and Equipment:				
Land and Water Rights	2,978,176	-	225,000	3,203,176
Water Distribution System/Sewer System	6,027,011	1,433,575	-	7,460,586
Machinery and Equipment	74,887	59,395	4,064,374	4,198,656
Less: Accumulated Depreciation	(1,560,231)	(628,429)	(1,265,510)	(3,454,170)
Total Property and Equipment	7,519,843	864,541	3,023,864	11,408,248
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	205,532	44,870	297,666	548,068
Total Noncurrent Assets	205,532	44,870	297,666	548,068
Total Assets	\$ 8,064,081	\$ 1,108,360	\$ 3,447,530	\$ 12,619,971

See Accompanying Notes to Basic Financial Statements

Brian Head Town
Statement of Net Assets
Proprietary Funds
As of June 30, 2005

Liabilities

Current Liabilities:

Accounts Payable	\$ 5,642	\$ 4,065	\$ -	\$ 9,707
Accrued Liabilities	68,955	472	-	69,427
Due to Other Funds	-	-	78,950	78,950
Current Portion of Long-term Liabilities	172,725	16,633	145,000	334,358
Total Current Liabilities	247,322	21,170	223,950	492,442

Long-term Liabilities

Bonds Payable	2,675,411	44,062	3,230,000	5,949,473
Capital Lease Obligations	-	-	-	-
Less Current Portion of Long-term debt	(172,725)	(16,633)	(145,000)	(334,358)
Deferred Revenue	-	-	297,640	297,640
Total Long-term Liabilities	2,502,686	27,429	3,382,640	5,912,755
Total Liabilities	2,750,008	48,599	3,606,590	6,405,197

Net Assets

Invested in Capital Assets, Net of Related Debt	4,844,432	820,479	(206,136)	5,458,775
Restricted For:				
Debt Service	-	-	297,666	297,666
Capital Assets	205,532	44,870	-	250,402
Unrestricted (Deficit)	264,109	194,412	(250,590)	207,931
Total Net Assets	5,314,073	1,059,761	(159,060)	6,214,774

Total Liabilities and Net Assets

\$ 8,064,081	\$ 1,108,360	\$ 3,447,530	\$ 12,619,971
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See Accompanying Notes to Basic Financial Statements

Brian Head Town
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	Enterprise Funds			
	Water	Sewer	Snowmaking Lease	Totals
Operating Revenues:				
Charges for Services	\$ 599,432	\$ 259,822	\$ 307,930	\$ 1,167,184
Total Operating Revenues	<u>599,432</u>	<u>259,822</u>	<u>307,930</u>	<u>1,167,184</u>
Operating Expenses:				
Salaries and Wages	82,162	70,183	-	152,345
Employee Benefits	37,004	31,722	-	68,726
Operating Supplies and Materials	48,301	7,420	-	55,721
Trustee Fees	-	-	-	-
Professional and Technical services	11,135	17,764	-	28,899
Conferences and Travel	501	176	-	677
Insurance	-	-	-	-
Miscellaneous	4,222	1,483	310	6,015
Utilities and Telephone	21,300	21,000	-	42,300
Repair and Maintenance	3,062	1,445	-	4,507
Lease Expense	21,630	4,700	-	26,330
Wastewater Treatment Fee	-	14,400	-	14,400
Depreciation and Amortization	125,683	37,034	101,609	264,326
Total Operating Expenditures	<u>355,000</u>	<u>207,327</u>	<u>101,919</u>	<u>664,246</u>
Operating Income (Loss)	<u>244,432</u>	<u>52,495</u>	<u>206,011</u>	<u>502,938</u>
Nonoperating Revenues (Expenses):				
Interest Revenue	13,928	119	26	14,073
Interest Expense	(98,060)	(2,981)	(179,230)	(280,271)
Impact Fees	58,245	27,811	-	86,056
Gain / (Loss) on Disposition of Assets	29,811	(1,189)	-	28,622
Total Nonoperating Revenue (Expenses)	<u>3,924</u>	<u>23,760</u>	<u>(179,204)</u>	<u>(151,520)</u>

See Accompanying Notes to Basic Financial Statements

Brian Head Town
 Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2005

	Enterprise Funds			Totals
	Water	Sewer	Snowmaking Lease	
Income (Loss) Before Contributions and Transfers	248,356	76,255	26,807	351,418
Operating Transfers:				
Transfers In	218,651	-	16,300	234,951
Transfers Out	(16,300)	(43,905)	-	(60,205)
Net Operating Transfers	202,351	(43,905)	16,300	174,746
Net Income	450,707	32,350	43,107	526,164
Net Assets - Beginning	4,863,366	1,027,410	(202,166)	5,688,610
Net Assets - Ending	<u>\$ 5,314,073</u>	<u>\$ 1,059,760</u>	<u>\$ (159,059)</u>	<u>\$ 6,214,774</u>

See Accompanying Notes to Basic Financial Statements

Brian Head Town
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Enterprise Funds			
	Water	Sewer	Snowmaking Lease	Totals
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 586,036	\$ 252,253	\$ 307,930	\$ 1,146,219
Payments to Suppliers	(230,574)	(169,651)	(310)	(400,535)
Net Cash Provided by Operating Activities	<u>355,462</u>	<u>82,602</u>	<u>307,620</u>	<u>745,684</u>
Cash Flows from Noncapital Financing Activities				
Interfund Accounts Receivable/Payable	(439,327)	37,060	310	(401,957)
Transfers to Other Funds	(16,300)	(43,905)	-	(60,205)
Transfers from Other Funds	218,651	-	16,300	234,951
Deferred Revenue	-	-	297,640	297,640
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(236,976)</u>	<u>(6,845)</u>	<u>314,250</u>	<u>70,429</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds from Debt	2,150,000	-	3,230,000	5,380,000
Impact Fees Collected	58,245	27,811	-	86,056
Bond Issue Costs	(46,059)	-	(126,000)	(172,059)
Acquisition and Construction of Capital Assets	(559,688)	(50,000)	-	(609,688)
Proceeds from Sale of Capital Assets	39,000	8,000	-	47,000
Principal Payments on Debt	(2,107,613)	(27,319)	(3,249,000)	(5,383,932)
Interest Payments on Debt	(98,060)	(2,981)	(179,230)	(280,271)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(564,175)</u>	<u>(44,489)</u>	<u>(324,230)</u>	<u>(932,894)</u>
Cash Flows from Investing Activities				
Interest Income	<u>13,928</u>	<u>119</u>	<u>26</u>	<u>14,073</u>
Net Cash Provided by Investing Activities	<u>13,928</u>	<u>119</u>	<u>26</u>	<u>14,073</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(431,761)</u>	<u>31,387</u>	<u>297,666</u>	<u>(102,708)</u>
Cash and Cash Equivalents as of July 1	<u>637,293</u>	<u>13,483</u>	<u>-</u>	<u>650,776</u>
Cash and Cash Equivalents as of June 30	<u>\$ 205,532</u>	<u>\$ 44,870</u>	<u>\$ 297,666</u>	<u>\$ 548,068</u>

See Accompanying Notes to Basic Financial Statements

Brian Head Town
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Enterprise Funds			
	Water	Sewer	Snowmaking Lease	Totals
Reconciliation to Operating Income				
Operating Income (Loss)	\$ 244,432	\$ 52,495	\$ 206,011	\$ 502,938
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and Amortization	125,683	37,034	101,609	264,326
(Increase) Decrease in Accounts Receivable	(13,396)	(7,569)	-	(20,965)
Increase (Decrease) in Accounts Payable	(10,507)	1,236	-	(9,271)
Increase (Decrease) in Accrued Liabilities	9,250	(594)	-	8,656
Net Cash Provided by (used for) Operating Activities	<u>\$ 355,462</u>	<u>\$ 82,602</u>	<u>\$ 307,620</u>	<u>\$ 745,684</u>
 Noncash Investing, Capital and Financing Activities:				
	\$ -	\$ -	\$ -	\$ -

See Accompanying Notes to Basic Financial Statements

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town operates under a council-manager form of government and provides the following services: Public Safety-Police and Fire, Highways and Streets, Sanitation, Health and Social Services, Culture and Recreation, Public Improvements, Planning and Zoning, General Administrative Services, Water, and Sewer Services.

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity - For financial reporting purposes, the reporting entity includes all funds and authorities for which the Town holds corporate powers. The Town has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the financial statements of Brian Head Town to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria are included in Governmental Accounting Standards Board Statement No. 14 and include appointing a voting majority of an organization's governing body and the ability of the Town to impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town.

As required by generally accepted accounting principles (GAAP), these financial statements present Brian Head Town, Utah (the primary government) and its component units. The component units are included in the Town's reporting entity because of the significance of their operational or financial relationships with the Town.

Based on the criteria established by Governmental Accounting Standards Board Statement No. 14, the Town has determined that the Municipal Building Authority of Brian Head Town, Utah is a component unit of the Town.

Municipal Building Authority of Brian Head Town, Iron County, Utah

The Municipal Building Authority of the Town of Brian Head, Utah (the Authority) was formally recognized by the State of Utah as an incorporated entity on July 20, 1995. The Authority was formed to accomplish the public purposes for which Brian Head Town exists by acquiring, improving, or extending one or more projects and financing the cost of such projects on behalf of Brian Head Town. The Authority is governed by a board of trustees comprised of the elected officials of Brian Head Town. Transactions of the Authority are blended into the audit report issued by Brian Head Town. No separate audit report is issued by the Authority

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and fund financial statements – The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information about the primary government (the Town) and its blended component unit. These statements include the financial activities of the overall government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets are ratably included in the direct expenses of the appropriate functions. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line item. Program revenues include 1) fees and charges paid by customers and other recipients of goods or services offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

The fund financial statements provide information about the Town's funds. Separate statements for each fund category (governmental and proprietary funds) are presented. The emphasis of fund financial statements is on major individual governmental funds and major individual enterprise funds, and each is displayed in a separate column.

The Town reports the following major governmental funds:

- The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The debt service fund accounts for resources accumulated and payments made for principal and interest on general obligation bonds.
- The capital projects funds accounts for resources accumulated and payments made for the acquisition and improvement of sites; construction and remodel of facilities; and procurement of equipment, necessary for providing services within the Town.

The Town reports the following major proprietary funds:

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- The water fund accounts for the activities of the Town's water distribution operations.
- The sewer fund accounts for the activities of the Town's sewer collection operations.
- The snowmaking lease fund accounts for the activities of the Town's leasing of snowmaking equipment to the ski resort operations.

Measurement focus, basis of accounting, and financial statement presentation – The government-wide fund financial statement is reported using the economic resources measurement focus. The government-wide and agency fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental And financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the Town receives cash. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current period is considered to be measurable and available when cash is received by the Town.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's water fund and sewer fund are charges to customers for sales and services. The water fund and sewer fund also recognize as operating revenue hookup fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgetary Data —The Town adopts an annual budget for Governmental and Enterprise Funds on or before June 22 for the fiscal year commencing the following July 1, in accordance with State law. The operating budgets include proposed expenditures and the proposed sources of financing for such expenditures. Prior to June 22, a public hearing is conducted to obtain taxpayer input. Budgets are adopted and control of budget appropriations is exercised, under State law, at the department level. Budget amendments are required to increase expenditure budgets.

The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by that fund. The budget for the Enterprise Fund is adopted under a basis consistent with GAAP. Original expenditures in the General Fund were not increased. The amended budget for the General Fund is presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual. All annual appropriations lapse at fiscal year-end.

Property Taxes -- Property taxes are collected by the Iron County Treasurer and remitted to the Town in two installments in December and March. Taxes are levied each August 1, on the taxable value listed as of the prior January 1, for all real property located in the Town. Taxable values are established by the County Assessor at 68 percent of the fair market value on primary residential property and 100 percent of the fair market value on non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year, at which time they become liens if not paid. Accruals of uncollected current and prior year's property taxes are made based on subsequent receipts within sixty days of year end and are included in the amount due from other governments on the balance sheet, when applicable.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Water Distribution System	20 to 50 years
Sewer Distribution System	50 years
Snowmaking System	40 years
Buildings	40 years
Equipment	3 to 20 years
Roads and Improvements	15 years

Compensated Absences – Permanent Town employees accumulate one working day of sick leave for each month of service. A maximum of twelve working days may be accumulated. The town does not buy back accumulated sick leave upon termination of employment.

Permanent Town employees accrue vacation leave in varying amounts depending on the amount of service. An employee may carry over into the following calendar year the amount of vacation leave that the employee accrues in one year. Any accumulated vacation leave in excess of that earned yearly will be lost at the end of the calendar year. Vacation and sick leave are charged to operations as they are used. No provision has been made in the financial statements for unused leave as the probable payments for accumulating leave benefits would not be material.

Inventories – Inventories in all fund types are immaterial and are not recorded.

Estimates – Generally accepted accounting principles require management to make estimates and assumption that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

Encumbrances – Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 2. CASH AND INVESTMENTS

The Town's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition for purposes of this note and the statement of cash flows.

The Town follows the requirement of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the Town to deposit funds in a "qualified depository." The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Utah Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

There are no restrictions or material differences in the types of investments that can be made for different funds, fund types, or component units, provided such investments meet the requirements of the Utah Money Management Act

Deposits of the Town at June 30, 2005, are deposited with federally insured banks which are certified institutions according to the Utah Money Management Act. The following table summarizes the deposits held at June 30, 2005.

	Carrying Amount	Bank Balance
State Bank of Southern Utah	\$ 106,629	\$ 202,614
State Bank of Southern Utah	198	198
State Bank of Southern Utah	96,738	96,738
Cash on Hand	449	449
	<u>\$ 204,014</u>	<u>\$ 299,999</u>

Of the Town's deposits at June 30, 2005, \$100,000 was covered by Federal Depository Insurance and \$199,550 was uninsured. No deposits are collateralized, nor are they required to be by State statute.

Brian Head Town holds investments in the Public Treasurers' Investment Fund (PTIF). The PTIF is invested in accordance with the State Money Management Act. The Council provides oversight for the PTIF. The degree of risk of the PTIF depends upon the underlying portfolio. The Town's investments are categorized below to give an indication of the level of risk assumed as of June 30, 2005. Category 1 includes investments that are insured or registered or for which the securities are held by the Town or its agent in the Town's name. The Town's fair value position in the PTIF is materially equivalent to the value or the pool shares. The following summarizes the Town's investments at June 30, 2005:

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 4. CAPITAL ASSETS (continued)

The Property, Plant & Equipment of the Enterprise Funds consist of the following:

	Balance 6/30/04	Additions	Retirements	Adjustments	Balance 6/30/05
Land & Water Rights	\$ 3,203,176	\$ -	\$ -	\$ -	\$ 3,203,176
Water System	5,467,324	559,687	-	-	6,027,011
Sewer System	1,433,575	-	-	-	1,433,575
Machinery & Equipment	139,341	50,000	55,059	-	134,282
Snowmaking System	4,064,374	-	-	-	4,064,374
Accumulated Depreciation	(3,231,034)	(259,819)	(36,683)	-	(3,454,170)
	<u>\$ 11,076,756</u>	<u>\$ 349,868</u>	<u>\$ 18,376</u>	<u>\$ -</u>	<u>\$ 11,408,248</u>

Depreciation expense for the year ended June 30, 2005 for governmental and business type activities are as follows:

Governmental Activities:

General Government	\$ 65,262
Public Safety	39,789
Public Works	21,740
Culture & Recreation	3,873
Infrastructure	148,610
Total depreciation expense - governmental activities	<u>\$ 279,274</u>

Business-type Activities:

Water	\$ 121,177
Sewer	37,033
Snowmaking Lease	101,609
Total depreciation expense - business-type activities	<u>\$ 259,819</u>

NOTE 5. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the Town for the fiscal year ended June 30, 2005:

	General Obligation Bonds	Revenue Bonds	Other	Total
Balance at June 30, 2004	\$ 2,595,643	\$ 4,369,000	\$ 3,625,000	\$ 10,589,643
New Debt Issued	5,380,000	-	-	5,380,000
Principal Retired	(74,294)	(3,390,000)	(2,195,000)	(5,659,294)
Balance at June 30, 2005	<u>\$ 7,901,349</u>	<u>\$ 979,000</u>	<u>\$ 1,430,000</u>	<u>\$ 10,310,349</u>

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 5. LONG-TERM DEBT (continued)

General Obligation Bonds payable at June 30, 2005, are comprised of the following individual issues:

Water General Obligation bond with monthly payments of \$750 payable to the Farmers Home Administration through 2018 bearing interest of 5%.	\$ 86,349
Series 1999 General Obligation Bonds with annual payments of \$55,000 to \$185,000 through 2022 bearing interest from 5.5% to 6.45%.	2,435,000
Series 2004 General Obligation Refunding Bonds with annual payments of \$125,000 to \$185,000 through 2019 bearing interest of 2.0 % to 5.0%.	2,150,000
Series 2005 General Obligation Refunding Bonds with annual payments of \$145,000 to \$310,000 through 2019 bearing interest of 4.5 % to 5.1%.	3,230,000
Total General Obligation Bonds Payable at June 30, 2005	<u>\$ 7,901,349</u>

Revenue Bonds Payable at June 30, 2005, are comprised of the following individual issues:

Subordinated Water Revenue bonds, series 1992 with annual principal payments of \$27,000 to \$57,000 through 2012 bearing interest of 4%.	\$ 395,000
Lease Revenue Bonds, Series 1997 issued by the Municipal Building Authority of the Town of Brian Head, Utah. Bonds are secured by a lease agreement with Brian Head Town payable in semi-annual installments of various amounts on October 1 and April 1 of each year through 2018. The bonds bear a net interest cost of 6%.	433,000
Lease Revenue Bonds, Series 1995 issued by the Municipal Building Authority of the Town of Brian Head, Utah. Bonds are secured by a lease agreement with Brian Head Town payable in semi-annual installments of various amounts on November 1 and May 1 of each year through 2008. The bonds bear a net interest cost of between 5.6% and 6.55%.	151,000
Total Revenue Bonds payable at June 30, 2005	<u>\$ 979,000</u>

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 5. LONG-TERM DEBT (continued)

Other Long-term Debt at June 30, 2005 is comprised of the following:

Special Assessment bonds, Steam Engine Meadows Series November 12, 2002, with principal payments due annually on November 1 of each year of between \$140,000 and \$215,000 through 2012 bearing interest of 5.35%	\$ 1,430,000
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Total other long-term debt payable at June 30, 2005	<u>\$ 1,430,000</u>
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Series 1992 subordinated water revenue bonds constitute special obligations of the Town solely secured by a lien on and pledge of the net revenues of the water utility system.

The revenue bonds are collateralized by the revenue of the above funds and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the systems is to be used first to pay operating and maintenance expenses and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions which require the Town to maintain pledged revenues, as defined in the ordinances, for each year sufficient to pay the annual debt service requirements.

The Town issued \$1,730,000 of special assessment debt in 2002 to provide funds for the construction of streets, water and sewer lines and other improvements in the Steam Engine Meadows subdivision. These bonds will be repaid from amounts levied against the properties benefited by the construction.

The Town issued \$3,230,000 of Series 2005 General Obligation Refunding Bonds in 2005 to refund the Series 1993A, B, C and D Snowmaking Revenue Bonds. The refunding decreased the Town's total debt service over the next 14 years by \$1,118,890 and resulted in an economic loss (difference between the present values of the debt service payments on the old and new debt) (\$122,896). The bonds will be repaid from revenues generated by the lease of snowmaking equipment in the Snowmaking Lease Fund.

The Town issued \$2,150,000 of Series 2004 General Obligation Refunding Bonds in 2004 to refund the Series August 14, 2002 Revenue Anticipation Notes. The bonds will be repaid from revenues generated by the Water Utility Fund.

NOTE 5. LONG-TERM DEBT (continued)

The annual requirements to amortize all long-term debt outstanding as of June 30, 2005, are as follows

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 5. LONG-TERM DEBT (continued)

Year Ending June 30	Principal	Interest	Total
2006	\$ 477,725	\$ 488,916	\$ 966,641
2007	628,967	487,510	1,116,477
2008	656,221	457,867	1,114,088
2009	645,488	427,815	1,073,303
2010	679,769	397,460	1,077,229
Thereafter	7,222,179	2,301,289	9,523,468
Total	\$ 10,310,349	\$ 4,560,857	\$ 14,871,206

NOTE 6. COMPONENTS OF APPROPRIATED FUND BALANCE AND RETAINED

The components of appropriated fund balance and retained earnings at June 30, 2005, are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Proprietary Funds	Total
Bond Reserves	\$ 367,735	\$ 289,688	\$ -	\$ 297,666	\$ 955,089
Impact Fees	55,797	-	-	250,402	306,199
Reserved for:					
Capital Projects	-	-	295,146	-	295,146
Total	\$ 423,532	\$ 289,688	\$ 295,146	\$ 548,068	\$ 1,556,434

NOTE 7. INTERFUND RECEIVABLES AND PAYABLES

The following is a reconciliation of the interfund receivables and payables for Brian Head Town.

	Interfund Payables	Interfund Receivables
General Fund	\$ -	\$ 613,802
Debt Service Fund	184,924	-
Capital Projects Fund	120,303	-
Water Utility Fund	222,338	-
Sewer Utility Fund	165,187	-
Snowmaking Lease Fund	-	78,950
Total All Funds	\$ 692,752	\$ 692,752

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 8. INTERFUND OPERATING TRANSFERS

Individual fund operating transfers for the fiscal year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 47,081	\$ 431,189
Debt Service Fund	70,577	-
Capital Projects Fund	138,785	-
Water Utility Fund	218,651	16,300
Sewer Utility Fund	-	43,905
Snowmaking Lease Fund	16,300	-
Total All Funds	<u>\$ 491,394</u>	<u>\$ 491,394</u>

The above transfers resulted from the normal course of the Town's operation.

NOTE 9. RESTRICTED ACCOUNTS - BOND COVENANTS

Brian Head Town maintains the following balances in compliance with various bond agreements:

MBA Bond Sinking Fund	\$ 71,400
Special Assessment Bond Reserve Fund	173,000
Total	<u>\$ 244,400</u>

The above amounts represent escrow, reserve, emergency repair, and sinking funds restricted for payment of bond principal, interest and construction costs as they come due.

NOTE 10. LITIGATION

The Town is involved in various litigation as of June 30, 2005, none of which, in the opinion of the Town's legal council, is material to the financial statements. Therefore, no amounts have been recorded in the financial statements of the town for the period ended June 30, 2005.

NOTE 11. RISK MANAGEMENT

Brian Head Town, Utah is subject to various types of risk such as tort actions, theft, damage or destruction of assets by intent or acts of God, and job related illness or injury. The Town has procured commercial

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 11. RISK MANAGEMENT (continued)

insurance coverage, which in the Town's estimation, is adequate to reduce the risk of loss to a manageable level.

NOTE 12. PROPRIETARY FUND DEFICIT

The Town's snowmaking lease revenue fund operated at a deficit during the year and has a deficit balance in retained earnings. This situation occurred partly because of variations in interest expense charged to operations over the life of the bonds. This deficit will reverse in later years.

NOTE 13. DEFINED BENEFIT PENSION PLAN

Plan Description. Brian Head Town contributes to the Local Governmental Contributory Retirement System (Contributory System) and Public Safety Retirement System (Public Safety System) for employers with Social Security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, Which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong; 6% to the Contributory and 12.29% to the Public Safety Contributory Retirement Systems respectively. Brian Head Town is required to contribute a percent of covered salary to the respective systems, 7.08% to the Contributory and 7.70% to the Public Safety Contributory. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Brian Head Town contributions to the various systems for the years ending June 30, 2005, 2004 and 2003 respectively were; for the Contributory System, \$45,911, \$41,848, and \$35,362; and \$41,724, \$32,203 and

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 13. DEFINED BENEFIT PENSION PLAN (continued)

\$28,531 for the Public Safety Contributory, respectively. The contributions were equal to the required contributions for each year.

NOTE 14. MUNICIPAL BUILDING AUTHORITY LEASE

Maintenance Facility Lease Arrangement

On November 1, 1995, the Municipal Building Authority of The Town of Brian Head, Utah (the Authority) entered into a lease arrangement with Brian Head Town for a maintenance facility. Pursuant to the lease arrangement, the Authority constructed the facility. In order to construct the facility, the Authority issued a lease revenue bond in the amount of \$714,000.

The initial term of the lease commenced as of the date of delivery of the Lease Revenue Bonds and terminates on each June 30 thereafter. The lease term may be continued, solely at the option of Brian Head Town, beyond the termination of the original term for an additional year, and for 12 consecutive additional renewal terms thereafter each of one year in duration except that the final renewal term will commence July 1, 2007 and end on November 1, 2007. The Town makes an election to continue the lease for the next renewal term by budgeting sufficient Town funds to pay the base and reasonably estimated additional rentals due during the next renewal term.

The Town and the Authority acknowledge and agree that the obligation of the Town to pay base rentals and additional rentals constitutes a current expense of the Town payable exclusively from Town funds and shall not in any way be construed to be an obligation or indebtedness of the Town. The lease is to be deemed a net lease.

The terms of the lease require Brian Head Town to pay certain base rentals which approximate the principal and interest due on the lease revenue bonds issued by the Authority. The following table summarizes the base rental payments.

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 14. MUNICIPAL BUILDING AUTHORITY LEASE (continued)

Schedule of Base Rental Payments

<u>Fiscal Year Total</u>	<u>Attributable to Series 1995 Bonds</u>
2006	\$ 90,154
2007	64,907
2008	64,162
2009	35,114
Total	<u>\$ 254,337</u>

In addition to the base rentals, the lease requires the Town to pay additional rentals which are defined as any costs of the Trustee associated with the administration of the bond trust accounts as well as the costs of maintenance, operation, and repair of the leased property. The Town, at its option, may exercise a purchase option for the purpose of terminating the payment obligation of the Town under this lease and purchasing the Authority's interest in the project. The purchase option shall be an amount, when added to amounts being held by the Trustee for payment of bonds, sufficient to pay, defease, retire and/or redeem all the outstanding bonds, as appropriate, in accordance with the provisions of the indenture.

Town Hall Lease Arrangement

On October 1, 1997, the Municipal Building Authority of The Town of Brian Head, Utah (the Authority) entered into a lease arrangement with Brian Head Town for the acquisition and remodel of a new town hall. In order to acquire and construct a new town hall, the Authority issued a lease revenue bond issue in the amount of \$560,000.

The initial term of the lease commenced as of the date of delivery of the Bonds and terminates on each October 1 thereafter. The lease term may be continued, solely at the option of Brian Head Town, beyond the termination of the original term for an additional year and for 12 consecutive additional renewal terms thereafter each of one year in duration. The Town makes an election to continue the lease for the next renewal term by budgeting sufficient Town funds to pay the base and reasonably estimated additional rentals due during the next renewal term.

The Town and the Authority acknowledge and agree that the obligation of the Town to pay base rentals and additional rentals constitutes a current expense of the Town payable exclusively from Town funds and shall not in any way be construed to be an obligation or indebtedness of the Town. The lease is to be deemed a net lease.

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 14. MUNICIPAL BUILDING AUTHORITY LEASE (continued)

The terms of the lease require the Town to pay certain base rentals which approximate the principal and interest due on the lease revenue bonds issued by the Authority. The following table summarizes the base rental payments.

Schedule of Base Rental Payments

Fiscal Year Total	Attributable to Series 1995 Bonds
2006	\$ 48,930
2007	48,600
2008	49,160
2009	48,600
2010	48,980
2011	49,240
2012	49,380
2013	48,400
2014	49,360
2015	49,140
2016	48,800
2017	48,340
2018	48,760
Total	<u>\$ 635,690</u>

In addition to the base rentals, the lease requires the Town to pay additional rentals which are defined as any costs of the Trustee associated with the administration of the bond trust accounts as well as the costs of maintenance, operation, and repair of the leased property.

NOTE 15. CAPITAL LEASES

Brian Head Town has entered into a capital lease agreements for a fire engine which is accounted for in the general fund. The Town's capital lease obligation at June 30, 2005, is comprised of the following lease:

Capital lease obligation with annual payments of \$36,582 payable to GE Capital Public Finance through 2011 bearing interest of 4.98%.	\$ 170,563
Total Capital Lease Obligations at June 30, 2005	<u>\$ 170,563</u>

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 15. CAPITAL LEASES (continued)

The leases require the following scheduled payments:

Year Ending June 30	Principal	Interest	Total
2006	\$ 25,088	\$ 8,494	\$ 33,582
2007	26,338	7,245	33,583
2008	27,650	5,933	33,583
2009	29,026	4,556	33,582
2010	30,472	3,111	33,583
Thereafter	31,989	1,593	33,582
Total	<u>\$ 170,563</u>	<u>\$ 30,932</u>	<u>\$ 201,495</u>

The following is a summary of capital lease transactions of the Town for the fiscal year ended June 30, 2005:

	General Obligation Bonds	Revenue Bonds	Other	Total
Capital Lease Obligations at June 30, 2004	\$ 352,073	\$ 4,564	\$ 4,564	\$ 361,201
New Lease Obligations	-	-	-	-
Principal Retired	(181,510)	(4,564)	(4,564)	(190,638)
Capital Lease Obligations at June 30, 2005	<u>\$ 170,563</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,563</u>

The following is a summary of assets leased by the Town under capital leases as of June 30, 2005:

	General Fund
Equipment	\$ 218,232
Less: Accumulated Depreciation	(30,310)
Carrying Value at June 30, 2005	<u>\$ 187,922</u>

NOTE 16. PRIOR PERIOD ADJUSTMENTS

The following prior period adjustment has been made in the financial statements, which are reported as an adjustment to the beginning fund balance or net assets:

Adjustments to fund balance of government funds in the fund financial statement:

General Fund	
Proceeds from capital lease	\$ 218,232
Capital outlay	(218,232)
Total increase in fund balance	<u>-</u>

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 16. PRIOR PERIOD ADJUSTMENTS (continued)

Adjustments to the beginning net asset balance of government activities:

Capital assets	23,769
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Net Increase in fund balance of governmental funds and net assets of governmental activities	<u>\$ 23,769</u>
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REQUIRED SUPPLEMENTARY INFORMATION

Brian Head Town
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Property Taxes	\$ 610,128	\$ 707,294	\$ 613,043	\$ (94,251)
Franchise, Sales and Other Taxes	391,500	485,472	493,388	7,916
Licenses & Permits	209,500	298,627	298,606	(21)
Intergovernmental Revenue	53,050	93,235	90,872	(2,363)
Charges for Services	173,200	118,092	177,888	59,796
Fines & Forfeitures	7,000	9,079	9,079	-
Special Assessments	233,715	397,201	353,793	(43,408)
Interest Income	8,000	15,280	170,158	154,878
Miscellaneous Reveune	50,666	51,791	57,526	5,735
Total Revenue	<u>1,736,759</u>	<u>2,176,071</u>	<u>2,264,353</u>	<u>88,282</u>
EXPENDITURES:				
Legislative	13,060	12,392	12,420	(28)
Administrative	170,500	167,919	169,035	(1,116)
Legal	74,900	78,845	79,613	(768)
Non-Departmental	320,100	344,235	362,488	(18,253)
Planning & Zoning	17,150	13,905	13,902	3
Police Protection	413,550	428,613	429,016	(403)
Fire Protection	104,595	135,701	136,458	(757)
Building Inspection	78,950	70,014	71,856	(1,842)
Streets & Public Improvements	210,792	219,470	245,519	(26,049)
Sanitation	112,292	108,156	108,235	(79)
Parks & Recreation	157,500	114,727	118,158	(3,431)
Capital Expenditures	-	-	-	-
Debt Service:				
Principal	140,000	160,000	160,000	-
Interest & Fiscal Charges	93,715	121,043	121,047	(4)
Total Expenditures	<u>1,907,104</u>	<u>1,975,020</u>	<u>2,027,747</u>	<u>(52,727)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds From Sale of Capital Assets	-	191,000	191,000	-
Operating Transfers in	133,059	163,234	47,081	116,153
Operating Transfers out	(229,296)	(604,762)	(431,189)	173,573
Total Other Sources (Uses)	<u>(96,237)</u>	<u>(250,528)</u>	<u>(193,108)</u>	<u>289,726</u>
Excess (Deficiency) of Revenue & Other Financing Sources (Uses)	-	-	-	-
Over Expenditures	<u>(266,582)</u>	<u>(49,477)</u>	<u>43,498</u>	<u>(92,975)</u>
Fund Balance - July 1	427,034	427,034	427,034	-
Fund Balance - June 30	<u>\$ 160,452</u>	<u>\$ 377,557</u>	<u>\$ 470,532</u>	<u>\$ (92,975)</u>

SUPPLEMENTARY INFORMATION

Brian Head Town
Debt Service Fund
Statement of Revenues, Expenditures
And Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2005

	Debt Service			Variance
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 224,228	\$ 224,228	\$ 300,434	\$ 76,206
Interest Income	1,100	1,162	1,282	120
Total Revenue	<u>225,328</u>	<u>225,390</u>	<u>301,716</u>	<u>76,326</u>
EXPENDITURES:				
Principal	265,426	288,598	282,102	6,496
Interest & Fiscal Charges	173,080	180,942	179,913	1,029
Total Expenditures	<u>438,506</u>	<u>469,540</u>	<u>462,015</u>	<u>7,525</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers in	213,178	244,150	70,577	173,573
Operating Transfers out	-	-	-	-
Proceeds from Long-term Debt	-	-	-	-
Total Other Sources (Uses)	<u>213,178</u>	<u>244,150</u>	<u>70,577</u>	<u>173,573</u>
Excess (Deficiency) of Revenue & Other Financing Sources (Uses)	-	-	-	-
Over Expenditures	-	-	(89,722)	89,722
Fund Balance - July 1	379,410	379,410	379,410	-
Fund Balance - June 30	<u>\$ 379,410</u>	<u>\$ 379,410</u>	<u>\$ 289,688</u>	<u>\$ 89,722</u>

Brian Head Town
 Budgetary Comparison Schedule
 Capital Projects Fund
 For the Year Ended June 30, 2005

	Original Budget	Final Budget	2005 Actual	Variance Favorable (Unfavorable)
Revenues:				
Interest Income	\$ -	\$ 3,176	\$ 3,604	\$ 428
Other Income	-	-	-	-
Total Revenues	-	3,176	3,604	428
Expenditures:				
Capital Expenditures	76,963	11,383	11,383	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	76,963	11,383	11,383	-
Excess (Deficiency) of Revenues Over Expenditures	(76,963)	(8,207)	(7,779)	428
Other Financing Sources:				
Proceeds From Long-term Debt	5,500,000	297,640	-	(297,640)
Operating Transfers In	16,118	11,383	138,785	127,402
Operating Transfers Out	(5,583,000)	(300,816)	-	(300,816)
Total Other Financing Sources (Uses)	(66,882)	8,207	138,785	(471,054)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(143,845)	-	131,006	(470,626)
Fund Balance July 1, 2004	164,140	164,140	164,140	
Fund Balance June 30, 2005	\$ 20,295	\$ 164,140	\$ 295,146	

REPORTS



BRIAN HEAD TOWN, UTAH
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Town Council
Brian Head, Utah

We have audited the financial statements of Brian Head Town, Utah as of and for the year ended June 30, 2005 and have issued our report thereon dated December 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Brian Head Town, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Brian Head Town, Utah in a separate letter dated December 12, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Brian Head Town, Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Brian Head Town, Utah in a separate letter dated December 12, 2005.

This report is intended solely for the information and use of Brian Head Town, Utah and applicable federal and state funding and auditing agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hafen Buckner Everett & Graff, PC

Hafen, Buckner, Everett & Graff, PC

St. George, Utah
December 12, 2005



**BRIAN HEAD TOWN, UTAH
AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE**

The Honorable Town Council
Brian Head, Utah

We have audited the general purpose financial statements of the Brian Head Town, Utah, for the year ended June 30, 2005 and have issued our report thereon dated December 12, 2005. As part of our audit, we have audited the Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2005. The Town received the following major State assistance programs from the State of Utah:

C Road Funds
Liquor Law Enforcement

Department of Transportation
State Tax Commission

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the Compliance manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements

The management of the Brian Head Town, Utah is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis evidence about the Town's compliance with the requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Brian Head Town, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of service allowed and unallowed; eligibility; matching, level of effort, or earmarking; reporting, and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Hafen Buckner, Everett & Graff, PC

Hafen, Buckner, Everett & Graff, PC

St. George, Utah
December 12, 2005



Honorable Mayor and Town Council
Town of Brian Head
Brian Head, Utah 84719

We have audited the financial statements of Brian Head Town, Utah, for the year ended June 30, 2005, and have issued our report thereon dated December 12, 2005. As part of our audit, we made a study and evaluation of the Town's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Town's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Brian Head Town is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related cost of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation was made for the limited purpose described in the first paragraph and would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Brian Head Town taken as a whole. However, our study and evaluation disclosed the following conditions that we believe require the Town's further attention.

Our comments are intended to be constructive in nature. The absence of positive or complimentary comments does not imply that the Town operates in an inefficient or ineffective manner.

Expenditures in Excess of Budget

Finding: Several departments expenditures were in excess of budgeted amounts.

Recommendation: All department heads review budgets on a regular basis to ensure that expenditures are within budgeted amounts.

Budgeted Revenue

Finding: Budgeted revenue per form TC-693 was not the same as the revenue amounts in the Towns adopted budget.

Recommendation: The Town needs to be sure that when adopting the budget that budgeted revenues are the same as reported on the form TC-693.

Status of Prior Year's Findings

Findings which were noted again have been included in the current year's findings.

Because the above comments are based on a special study of matters covered, further evaluation of our suggestions may be necessary on your part as a basis for implementation.

We express our appreciation to the staff for their assistance during the course of our audit.

We would be pleased to discuss these matters with you further at your convenience.

Yours truly,

Hafen Buckner Everett & Graff, PC

Hafen, Buckner, Everett & Graff, PC

December 12, 2005



BRIAN HEAD

March 28, 2005

Mr. Wayne Everett
Hafen, Buckner, Everett & Graff, PC
90 East 200 North
St. George, UT 84770

Dear Mr. Everett:

Thank you for the audit report and associated information presented today at Town Council meeting. Having reviewed the Management Letter and the findings, we propose the following remedies:

Expenditures in Excess of Budget

Our Caselle accounting system provides for a means of budget warnings through the accounts payable module, which to date have not been utilized. This option will be activated and used to help monitor departmental spending more closely. In addition, our Finance Department will take advantage of State Auditor regional training seminars and hands-on budget training.

All department heads will receive monthly statements of revenue and expenditures that will then be their responsibility to monitor and adjust expenditures accordingly. The Town Manager and Finance Department will also monitor revenues and expenditures and recommend adjustments as needed to stay within the allocated budget amounts. This is with the understanding that unforeseen expenditures that arise in the fiscal year will be approved by the Town Council and then adjusted during the budget amendment process within State rules and guidelines.

Budgeted Revenue

Our Finance Department will take advantage of State Auditor regional training seminars and hands-on budget training to better learn how to account for additional revenue received above the budgeted revenue per form TC-693.

Sincerely,



H.C. Deutschlander, *Mayor*
BRIAN HEAD TOWN

pc: Town Council Members
Town Staff